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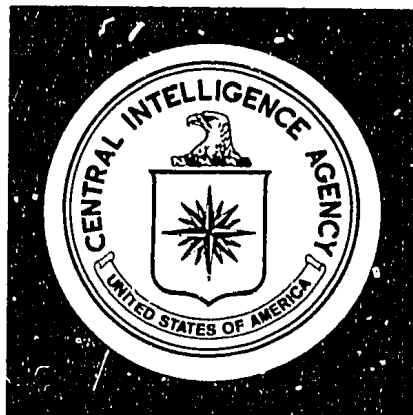
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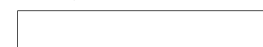
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Weekly Review

~~Top Secret~~



9 August 1974

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The WEEKLY REVIEW, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through upon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, and the Directorate of Science and Technology. Topics requiring more comprehensive treatment and therefore published separately as Special Reports are listed in the contents.

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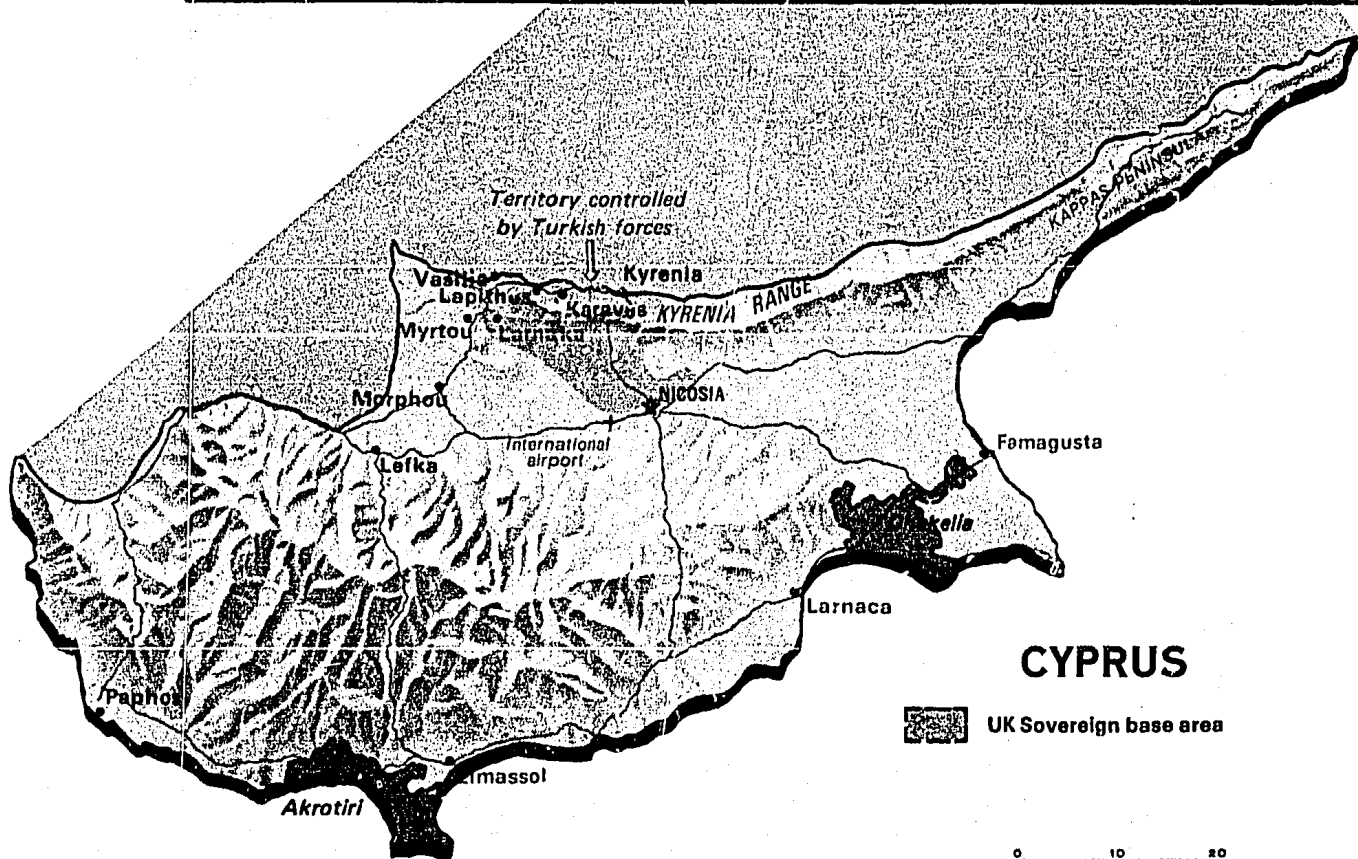
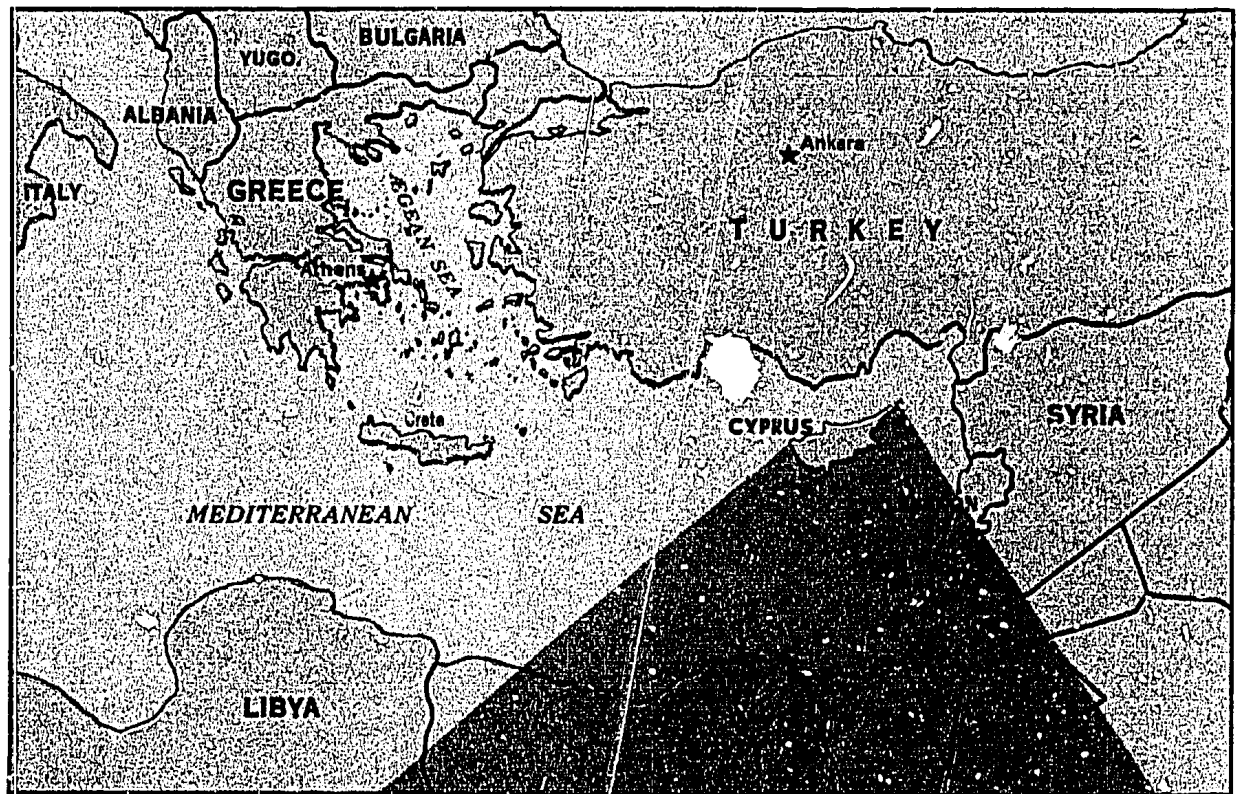
The second round of the Geneva talks opened on August 8, with both Greece and Turkey accusing the other of failing to live up to the agreements reached in the first round. Efforts to negotiate a political settlement for Cyprus will be further complicated by political problems in the three capitals—Ankara, Athens, and Nicosia—which will make it difficult for any party to make significant concessions.

ANKARA'S POSITION

The Turks come to the conference table in the strongest position and have brought a concrete proposal for the establishment of auton-

omous areas for Greek and Turkish Cypriots. The Turks are prepared to use their military position on the island to back their demands for autonomy and security for Turkish Cypriots. As one member of the Turkish delegation put it, "The victor has the greater right to dictate its own terms to the vanquished...and they have no choice but to accept our viewpoint."

In fact, the Turkish government's decision to push for an autonomous Turkish administration within an independent Cyprus already represents a step away from the hard line advocated by some politicians in Ankara. There were early indications that Deputy Prime Minister Erbakan,



leader of the minority party in Ecevit's coalition government, disagreed with the federal approach and favored outright partition. Rumors of serious differences between Prime Minister Ecevit and Erbakan were played down by Turkish officials this week, but the coalition remains fragile.

Ankara's facade of unity—established at the time of the Turkish decision to intervene in Cyprus—showed further evidence of cracks as former prime minister Demirel weighed in with some critical statements. Demirel, leader of the second largest party in parliament, claimed that "federation is unworkable." Later on, as the Geneva talks were resumed, he charged that the government should not be discussing the future security of Turkish Cypriots when it could not guarantee their present security.

This latest statement by Demirel was apparently motivated by the recent barrage of press statements by Turkish and Turkish Cypriot leaders charging the Greeks with atrocities and with preventing relief shipments from reaching Turkish Cypriot civilians. These charges appear to be part of an attempt to head off what the Turks see as a Greek strategy of placing the onus for the Cyprus situation on Turkey.

Before leaving for Geneva, in fact, Turkish Foreign Minister Gunes charged that the Greeks were conducting a press campaign to focus world attention on Turkish cease-fire violations. Turkish spokesmen have begun pointing out that the Geneva declaration called not only for a cease-fire, but for the Greeks to withdraw from Turkish enclaves, which as yet they have made no move to do.

ATHENS' POSITION

Greek Foreign Minister Mavros, under fire at home for having conceded too much at the first round of talks, has hardened his public position and is now demanding the immediate withdrawal of all troops from the island. Privately, he has told US officials that a serious setback for Greece at the current talks could upset the delicate balance between the civilian government and the military in Athens, where Prime Minister

THE MILITARY SITUATION

The military situation, which had been relatively quiet since the cease-fire agreement, became more tense this week when Turkish Cypriot forces in the southeastern city of Famagusta moved into new positions on August 5. Heavy fighting broke out between the Turks and the Greek Cypriot National Guard. By Tuesday, UN troops had moved between the forces, but the situation remains tense in the city, with Greek forces taking up new defensive positions. Famagusta is important to the Turks because it would give them a deep water port for the unloading of equipment and troops.

Turkish forces also pushed hard this week to capture the entire western part of the Kyrenian mountain range. On August 6, they began moving tanks and artillery into Lapithos and Karavas. By Wednesday, the Turks had reached the resort town of Vasilia, reportedly forcing a hasty retreat by the defending units of the Greek Cypriot National Guard.

By consolidating their positions on the northern mountain range, the Turks have gained control of an important area of high ground overlooking the Kyrenia coast, where many Turkish forces and supplies are located. Ankara may also expect the Turkish holdings to be a key factor in determining where a cease-fire line could be established.

In an apparent reaction to the continuing tension, Athens moved 24 fighter aircraft to Crete early in the week. Since the fighting on Cyprus began, Athens has sent a number of fighters to Crete. The Greeks apparently have not increased the overall readiness of the forces there, however.

The Turks, on the other hand, have maintained their gendarmerie on alert and have aircraft on strip alert in southern Turkey. A number of aircraft recently were observed loaded with bombs, rockets, and napalm. These preparations may signal a Turkish intention to resume air strikes on Cyprus. It also could be a show of force to underscore Turkey's announced intention to assert its control of the airspace over the eastern Aegean.

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Karamanlis has moved quickly to consolidate his control.

Mavros told US Ambassador Tasca that Brigadier General Ioannidis—who has been placed on six months' leave—was no longer a problem, but that there were still young, nationalist officers in strategic positions who might react strongly to a new Turkish humiliation of Greece. Mavros said public opinion on the issue was so strong that it left the government—which is still feeling its way in its Cyprus policy—virtually no room to maneuver. Mavros has told US officials that if Ankara continues to expand its holdings on Cyprus, Athens will retaliate by sending more Greek forces. Mavros has clearly been angling for the US to put pressure on the Turks to be more conciliatory, but the embassy believes he has not been exaggerating his fears.

Mavros has shown some flexibility, however. Although he has publicly said that his government opposed a federal solution, he added that the future status of Cyprus should be decided by the Cypriot people themselves. He also told Arthur Hartman, the US assistant secretary for European Affairs, that Athens did not intend to exclude any solution except enosis or partition, and that its main interest was to restore the independence of the island.

Relations between the two countries have been further soured by Ankara's demand this week that all aircraft entering the eastern Aegean make their presence known to Turkish air traffic control centers. Ever since oil was discovered in the Aegean early this year, Ankara has been trying to assert its sovereignty in the area. Minister of Defense Averoff told Assistant Secretary Hartman that the implication of the demand was that Ankara would attempt to enforce its unilateral assertion of the right to control air traffic in an area where Greece had long done so. The Greek Foreign Ministry has rejected the demand.

CLERIDES AND DENKTASH

Greek Cypriot leader Glafkos Clerides went to Athens and Turkish Cypriot leader Rauf Denktash to Ankara last weekend to coordinate positions for the Geneva talks. In Ankara, Denktash said that a permanent Turkish military presence on Cyprus is necessary and that an autonomous Turkish Cypriot area must include 30 percent of the island. Turkish Cypriots make up about 20 percent of the population.

Clerides described his consultations in Athens as "constructive," but he did not elaborate. While in Athens, he approved the appointment of a new Greek commander for the Greek Cypriot National Guard. In an interview early in the week, Clerides rejected Denktash's proposal for a geographic federation as not only unworkable but undesirable for both Greek and Turkish Cypriots. He proposed, instead, a plan for a cantonal-type arrangement providing for extensive Turkish Cypriot autonomy.

Upon his return to Cyprus, Clerides continued efforts to consolidate his position prior to his departure for Geneva later this week. He did so amid recriminations between left and right that led him to threaten to resign. On August 5, the House of Deputies elected Tassos Papadopoulos to fill Clerides' former position as president of the house. Papadopoulos—who, along with Clerides, is co-leader of the Unified Party—will reportedly accompany Clerides to Geneva.

Clerides also named a new eight-man cabinet of nonpolitical moderates on August 8. Clerides shuffled the cabinet to make it more representative and to ensure its support for any positions he might take in Geneva. The extreme rightist ministers he inherited from the short-lived Sampson regime apparently balked initially at handing in their resignations. The cabinet was reported to have resigned on August 6, but this was never confirmed officially. The government did

announce, however, that preparatory work for the reorganization of the administration had started and "will be completed this week." The cabinet change—along with the reported departure of Nicos Sampson from the island and the start of the rotation of the leading National Guard officers who took part in the anti-Makarios coup—will further diminish the power of the extreme right within the Greek Cypriot community and strengthen Clerides' hand.

SOVIETS SEEK ROLE IN A SETTLEMENT

The Soviets continue to cast about for ways of influencing the settlement of the Cyprus crisis. Their primary concern is that Greece and Turkey will end up with stronger positions on the island and that, as a result, Cyprus' nonaligned status will be threatened.

Late last week, General Secretary Brezhnev reportedly sent messages to the leaders of several nonaligned nations urging their support for a special session of the UN General Assembly. Although the Soviets seem to have had little success thus far in stimulating any real interest in the idea, a group of nonaligned representatives reportedly met on August 6 to consider a proposal forbidding foreign military or political intervention in Cyprus and affirming Makarios as the legitimate leader of the island.

Taking another approach, acting Soviet Foreign Minister Kuznetsov told US Ambassador Stoessel early this week that the US and USSR should join efforts to end the conflict. Before the Cyprus coup, Moscow had held out the possibility of joint action, and it may once again be seeking

US recognition of a formal Soviet role in the settlement of the problem.

The Soviets have sharply attacked the tripartite peace conference in Geneva. On August 4, *Pravda* said the Geneva cease-fire declaration was meant to delay a political settlement and to prolong the occupation of Cyprus. Soviet Ambassador Minin, who was sent to Geneva as an observer, told US diplomats he was disturbed that the Geneva accord failed to include any guarantees for the future sovereignty of Cyprus.

Moscow fears that the longer Turkish and Greek troops remain on Cyprus, the greater will be the influence of these NATO members and the more likely will be a de facto partition. Ambassador Minin has protested that the Geneva accord speaks only of a reduction of foreign troops "within the shortest possible time," while the UN Security Council resolution calls for the "immediate" withdrawal of all foreign troops. Despite these complaints, the Soviets probably are reconciled to some form of federation of the communities as long as it is within the context of an independent Cyprus.

With the increase in Turkish forces on the island and a new civilian government in Athens, Moscow has cooled on its pro-Ankara policy of the immediate post-coup period. The Soviet ambassador in Athens has been in official contact with the new government, and *Pravda* has commended Athens for its positive attitude toward a Cyprus settlement. The newspaper has even taken a generally sympathetic view of Greek domestic developments, although it did warn that a threat from the right still exists.

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SPAIN FACES THE INTER-REGNUM

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The fragile state of Franco's health continues to trouble the Spanish political establishment. Both liberals and conservatives are unhappy about the uncertainty of Prince Juan Carlos' role as interim chief of state. Franco's condition is also stimulating a flurry of activity among opposition groups that are using the present time of political uncertainty to launch new organizations calculated to offer an alternative to the continuation of Franco's system.

The announcement that Juan Carlos would preside over his first cabinet meeting on August 9 suggests that government leaders believe that even though Franco is out of the hospital, his recovery will be slow. In a conversation with US embassy officials in Lisbon this week, Don Juan—the Prince's father and pretender to the Spanish throne—cited reports he has received which indicate that Franco is not expected to live beyond Christmas at the latest.

There is no evidence that the Prince is exercising any real power as acting head of state. The local press has emphasized the number of new laws promulgated in Juan Carlos' name, but all of these had been decided prior to Franco's hospitalization.

Liberals and conservatives in the Spanish leadership are concerned over the present interim position of the Prince. Those who favor liberalization are troubled that Juan Carlos might be discredited by events beyond his control, and conservatives want all powers restored to Franco immediately. Don Juan, who is living in exile in Portugal, has indicated that his continued support of Juan Carlos' succession as chief of state is contingent on Spain becoming a genuine democracy in the post-Franco period.

Juan Carlos is dissatisfied with his figurehead role and has advocated that Franco either resume his position or let him exercise real authority.

Juan Carlos reportedly is irritated with Prime Minister Arias because the Prime Minister has consistently by-passed the Prince and dealt directly with Franco on current business. Arias has, however, discussed the post-Franco era with Juan Carlos.

Once Juan Carlos officially becomes head of state, he will confirm Arias as prime minister. Arias urged that four members of the present cabinet be kept in the government. At least three of the four are known to favor a more representative and democratic government.

The Prince and Arias are also said to have discussed the possibility of a popular referendum on constitutional changes to bring the Spanish monarchy into line with other European monarchies. No final decision appears to have been reached, but the Prince may feel that a referendum would improve his popular image. In any case, Juan Carlos apparently intends to remain aloof from politics and serve as a symbol of unity and continuity, although he acknowledges that he may have to take an active part in the solution of some problems.

Meanwhile, various political groups opposed to the Franco regime are attempting to form coalitions in anticipation of the political opportunities that are expected to arise in the post-Franco period. Spanish Communist Party chief Santiago Carrillo and democratic oppositionist Rafael Calvo Serer, who has been in exile since his newspaper *Madrid* was closed by the government three years ago, jointly announced in Paris on July 29 the formation of a "Democratic Junta." It reportedly includes a variety of figures from throughout the political spectrum—including Communists—but it has all the appearances of a Communist-directed popular front. The two leaders appealed for support from alleged "recently formed" Spanish military juntas, although there is no evidence that such juntas have been created. By suggesting that such groups do exist, Carrillo and Serer probably hope to attract support from Spaniards sympathetic with recent events in Portugal.

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UK: LABOR PREPARES FOR ELECTION

Recent public opinion polls show that the outcome of the general election that will probably be held this fall may be as inconclusive as the one held last February. The principal reason for the uncertain outlook is the steady erosion in the Labor Party's support since last spring and the resulting loss of its margin over the Conservatives. One poll, which forecast a close race in the February election, now puts the Tories six points ahead of Labor.

The waning strength of Labor has also been reflected in the series of parliamentary setbacks Prime Minister Wilson has suffered in recent weeks. Just before recessing last week for the summer holiday, for example, Wilson failed to prevent the opposition from passing five restrictive amendments to the Labor government's trade union and industrial relations bill. Wilson had pledged to repeal the Conservatives' Industrial Relations Act and to enact labor legislation more acceptable to the trade unions.

In recent weeks the Labor Party has also had to deal with internal strains over the EC issue. Wilson faces the problem of keeping the debate on this issue within bounds, while allowing both sides to air their views fully in party councils. Last week, he seemed to edge toward the anti-EC side after trying to remain uncommitted through most of the debate.

The other major party, the Conservatives, seems little more organized or able to meet Britain's problems than is Labor. Although Parliament is in recess, such issues as staying in or withdrawing from the EC, an economic crisis, and industrial relations will keep the political pot simmering. No date has been set for an election, but many politicians think that it may be called for early October.

With the Labor Party's lead seemingly endangered, speculation is again rife about various coalition possibilities as an alternative to another minority government. The Liberals have called for an all-party coalition, arguing that it is the only type of government that could deal with the country's enormous economic difficulties. The



Wilson

Conservatives tolerate the idea of a coalition, but Labor categorically rejects any sharing of power. This is, in fact, about the only question on which the party's left and right wings agree.

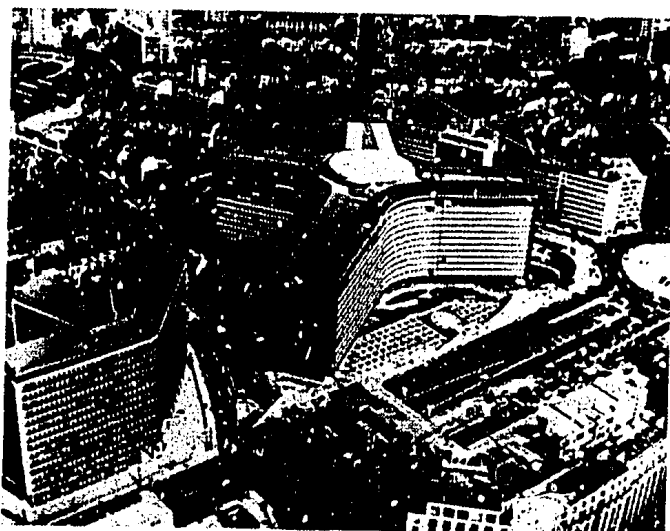
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EC: TIES TO THE DEVELOPING STATES

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Last week in Jamaica, the EC and 44 African, Caribbean, and Pacific developing states—mostly former French colonies and British Commonwealth partners—took an important step toward establishing a world-spanning trade association. The meeting put wind back in the sails of the year-old negotiations to replace EC agreements with 17 African states and Madagascar, which expire next January. A number of problems remain, and details must be worked out by experts who will meet this fall in Brussels and at another ministerial meeting in November. The final agreement is expected to be signed in Lome, Togo, early next year. Meanwhile, the ministers set guidelines for further negotiations in three areas:

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EC headquarters in Brussels

Export Earnings for the 44. The EC agreed to consider, among other criteria, the deteriorating terms of trade experienced by the developing states when setting the prices for EC imports of certain products such as coffee, cacao, peanuts, bananas, raw cotton, and palm oil. The community agreed also to reconsider prices whenever earnings from one of these commodities drop below a given threshold. Nevertheless, the commodity agreement falls short of the developing countries' demands for revenue guarantees on all exports. Because the agreement is the first to recognize the developing countries' demand for protection of their purchasing power, it establishes a precedent for future commodity arrangements between developed and developing states.

Trade Cooperation. The EC will offer free access to the community market for all products from the 44 except agricultural products covered by the common agricultural policy. The developing states will not be required, as they had been under the old agreement, to provide the EC with free access to their own markets in return.

Industrial Cooperation. The conference set guidelines for a program that would encourage European sponsorship of new industry in the developing countries. Details will be worked out during the fall.

The biggest problem will be the amount of aid the EC will give the 44 developing states. EC officials believe that the developing states' request for \$8 billion over five years is largely intended to prod the EC into raising its present offer of \$3 billion to \$3.5 or \$4 billion.

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HARASSMENT OF BERLIN TRAFFIC ENDS

The East Germans have apparently ended their harassment of overland travel by employees of the newly established Federal Environmental Office in West Berlin. Bonn remains bitter, however, noting that Pankow has demonstrated its willingness to restrict transit traffic, even if only temporarily.

A transit commission consisting of both East and West German representatives met at Bonn's request on August 6, but made no progress. This setback was not entirely unexpected, and the West Germans will probably make another demarche to the East German Foreign Ministry. Although recognizing that the East Germans are not likely to be impressed by this diplomatic activity, Bonn prefers to keep the affair in bilateral channels in view of the reluctance of the Western allies to consider recourse to four-power consultations. Bonn also believes that such consultations would be an acknowledgement of Pankow's claim that the environmental office is a violation of the Quadripartite Agreement.

Bonn, in any case, may not be able or willing to push the issue much further. There have been no traffic delays or incidents directly related to the environmental office since July 31, making it difficult for Bonn to dramatize the transit problem.

The Soviets and East Germans, for the present at least, appear willing to let the issue fade, but they remain in a position to impose selective controls on transit traffic whenever they wish to press the charge that the West has violated the Quadripartite Agreement.

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FRANCE: GISCARD AND THE GAULLISTS

During his eleven weeks in the presidency, Independent Republican Party leader Valéry Giscard d'Estaing has had considerable success in consolidating his control over the Gaullist deputies who dominate parliament. Giscard has been ably assisted by Prime Minister Chirac, a maverick Gaullist. Chirac has successfully solicited support for Giscard's current programs, but there are also indications that he is building his own power base among the remnants of Gaullism and that this ultimately could lead to a confrontation with Giscard.

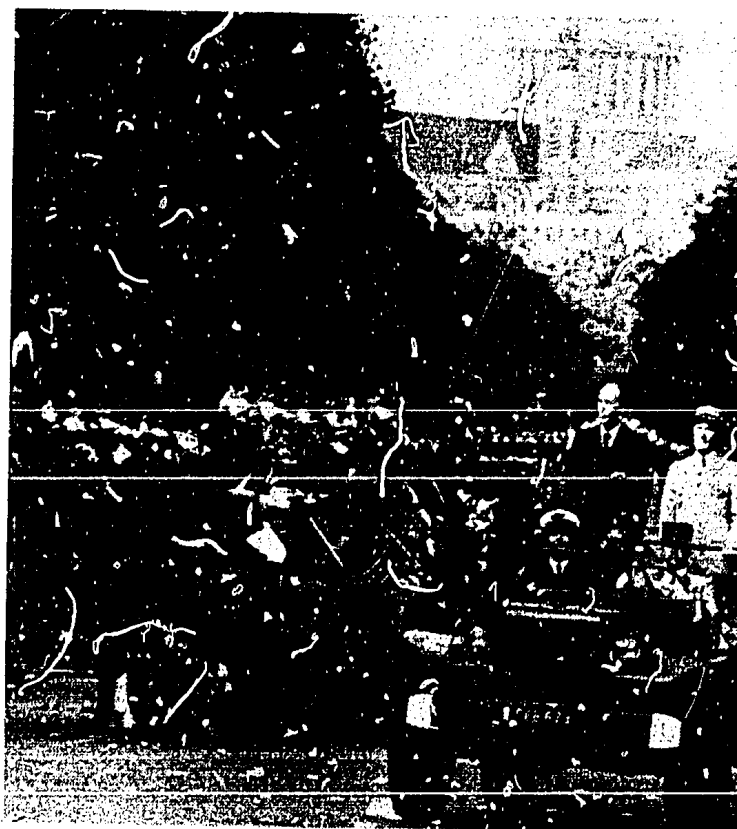
Giscard and Chirac have been firm with the Gaullists, but they have avoided unnecessarily provoking them. The Prime Minister's major policy speech to the Assembly on June 5 directly met Gaullist concerns and contained virtually nothing to which they could object. So far, there have been no parliamentary defections and Giscard can count on a solid majority—all except 20-25 ultra-Gaullists—for his programs.

The docility of the Gaullists is in large part due to a recognition that their popular appeal has shrunk and to their loss of leadership. Partial legislative elections scheduled for late September could result in further losses. The Gaullists are so disorganized that they made no official comment after Giscard's first press conference—a move without precedent. Their newspaper, *La Nation*, ceased publication on July 12, the same day that Gaullist Secretary General Sanguinetti publicly pledged his allegiance to Chirac. Meanwhile, Chirac has succeeded in postponing the Gaullists' national congress, originally set for November, until next year—by which time he expects to have tightened his control.

Despite 16 years in power, the Gaullists lack both a tight structure and a formal method of choosing a new leader. Secretary General Sanguinetti, a technician, was never intended to be Pompidou's heir. The Gaullists' cohesion—on which their political future depends—is strongly challenged not only by Giscard's determination to form a new centrist majority but also by the rivalries and alienation of well-known Gaullists.

None of the "barons" has a following large enough to serve easily as a new focus for the Gaullists, and only Olivier Guichard has any chance of serving in the cabinet during Giscard's seven-year term. Chaban-Delmas plans to try to form his own center-left party, while Michel Jobert hopes to rally the small but influential segment of the population who sympathize with Gaullist nationalism and anti-Americanism. Many Gaullists still seem partially stunned by their loss of power.

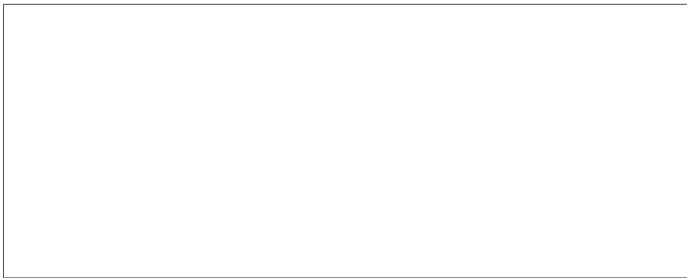
Sanguinetti is still trying to pull the Gaullists together, but his efforts have an air of unreality. His proposals include an official name change—from "Union of Democrats for the Republic" to "Popular Democratic Assembly"—and increased attention to youth, a belated recognition of the steady leftward drift of Gaullist youth that may well be too little and too late.



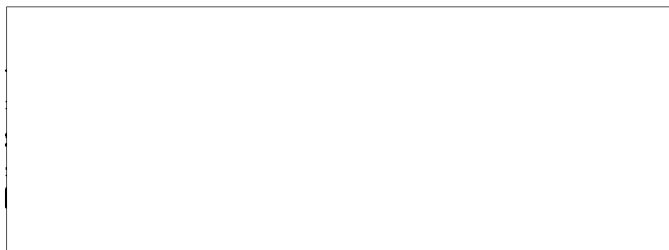
Giscard reviewing Bastille Day parade

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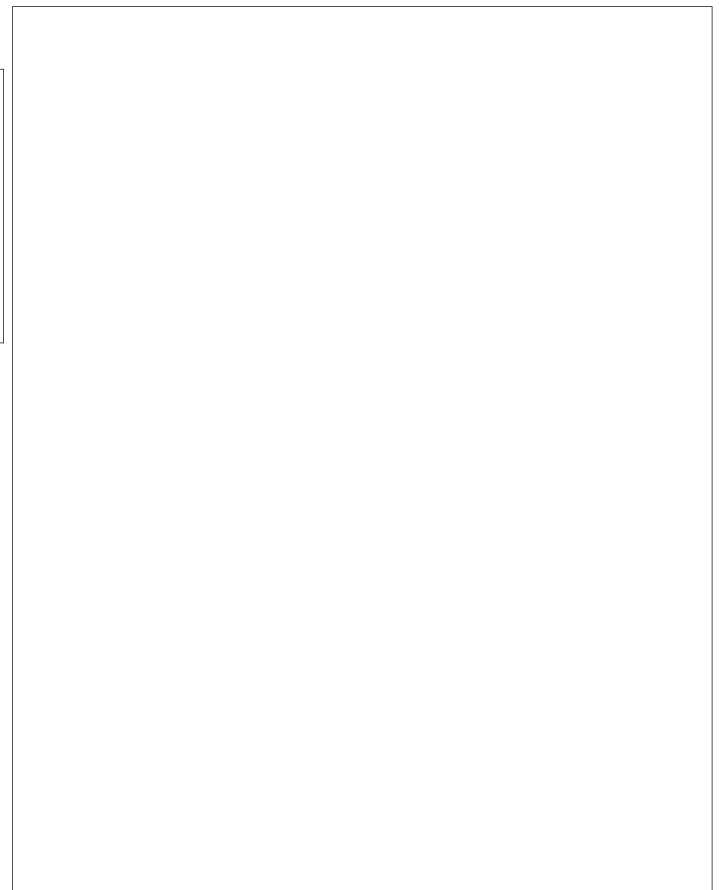
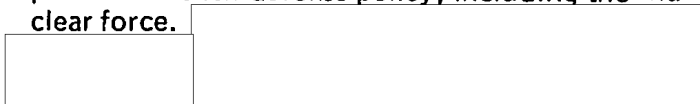
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IRBM SILOS

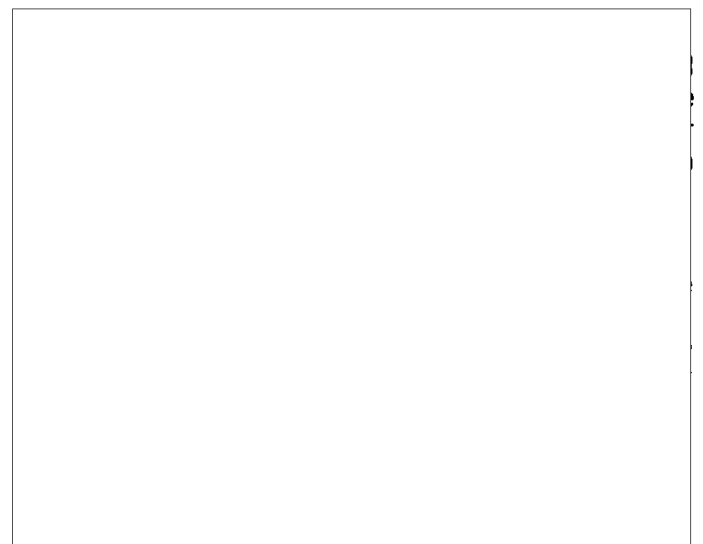
French air force officials have told US military sources that Paris hopes to have this group of silos operational by late 1975 or early 1976. Considering it took over three years to build each of the previous two complexes, the French will be hard pressed to meet this goal. The new silos are to receive improved 2,100-n.m. missiles fitted with one-megaton warheads. The new components of this missile—the second stage, guidance system, and re-entry vehicle—are being tested on an improved submarine-launched missile. The flight-test program of the submarine missile, which has priority over the land version, is nearing completion.



Officials in the Ministry of Defense and in the French Atomic Energy Commission are said to be concerned that these plans could be affected by economy measures that may be proposed by President Giscard after his current defense review. The US defense attache in Paris believes that Giscard's study will include all aspects of French defense policy, including the nuclear force.



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LAOS: "A COMMUNIST CARETAKER"

Prime Minister Souvanna Phouma has designated Lao Communist Deputy Prime Minister Phoumi Vongvichit to head the coalition government during his convalescence abroad. Phoumi, who also serves as foreign minister, expects to take over before Souvanna's departure for France, now anticipated for sometime around August 20. Phoumi's selection as temporary "acting prime minister" marks another success for the Lao Communists in their effort to gain the upper hand in the four-month-old coalition.

[redacted] a majority of non-Communist coalition cabinet ministers reluctantly agreed to Phoumi's selection at a special meeting convened earlier this week by their own deputy prime minister, Leuam In-siengmay. The non-Communists insisted, however, that Phoumi's duties be limited to the "regulation of government business" and that both sides share equally in making decisions. Phoumi apparently agreed to this formulation.

Defense Minister Sisouk na Champassak, who represents the interests of southern rightists and the non-Communist military establishment in the cabinet, did not attend the August 5 meeting. He has since voiced strong opposition to Phoumi's temporary succession.

The sudden about-face by the non-Communists—who had previously maintained that



Phoumi Vongvichit

Leuam and Phoumi should jointly head up the government—resulted from Phoumi's revelation of a secret written agreement between Souvanna and the Communist negotiators. Just before the signing of the peace protocol last September, Souvanna promised that, in the event of his absence from the country, the senior or eldest minister from the Communist side would serve as his temporary replacement.

Phoumi had, in fact, already begun to assert himself as acting prime minister. He had taken the initiative for the cabinet meetings held since Souvanna's heart attack. Although he shared the chair with the lackluster Leuam, Phoumi clearly dominated the sessions. 25X1

There is growing apprehension among the non-Communists that Souvanna may never be able to resume his official duties. For the first time since the Prime Minister was stricken, the non-Communists on August 5 seriously considered the problem of selecting a permanent successor.

They generally agreed that their first choice should be a political nobody from outside the coalition structure, and decided on Prince Khammao, the president of the King's Council. The second choice was Interior Minister Pheng Phongsavan, a strong candidate for the prime ministership because of his neutralist credentials.

As a possible third choice for the prime ministership, the non-Communists surprisingly agreed that they could accept nominal Pathet Lao leader Prince Souphanouvong—provided he would place nationalism above Communist objectives and would be acceptable to the US and other Western powers.

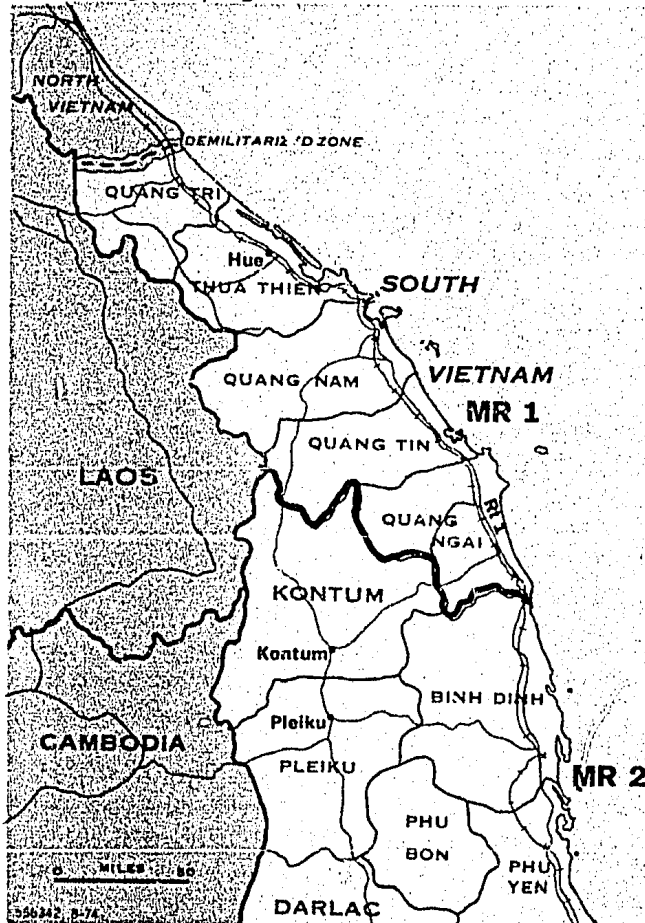
Souphanouvong is already campaigning for the job. He has held a series of informal meetings with leading military and political power-brokers on the Lao right, the ostensible purpose of which was to keep tensions low during Souvanna's incapacitation. The conservatives are convinced that the Prince's "opening to the right" is intended to improve his acceptability as Souvanna's successor. [redacted] 25X1

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SOUTH VIETNAM: MORE ACTION AHEAD

The Communists have recently made some gains along the northern coast and seem to be preparing to intensify the fighting in several other sectors of South Vietnam. The government forces should be able to cope with a higher level of fighting and prevent the Communists from making major inroads into the territory and population now under government control.

Communist units in the South are clearly capable of carrying out widespread attacks, but they probably do not have at hand the large manpower pool needed to sustain a protracted heavy campaign in many areas. Infiltration has been relatively low for several months. While Hanoi has a substantial number of troops training in the North and is capable of moving them south faster than ever before, it has usually positioned its troops on the southern battlefronts before launching campaigns.



In southern Military Region 1, the Communists are continuing to shell government outposts in Quang Nam and Quang Ngai provinces. Most ground fighting is now at the initiative of government forces who are trying to recapture lost territory and push the Communists back into the mountains.

the Communists may be strengthening their forces in this sector. They have moved large quantities of war materiel into the northern coastal provinces recently.

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In the central highlands, the tactical headquarters for Communist units operating in Kontum, Pleiku, and Darlac provinces has moved out of its border sanctuary and is now between Kontum and Pleiku cities. The North Vietnamese have increased their attacks in Pleiku, and the move suggests more fighting is likely. Communist forces north and west of Saigon also seem to be preparing for more aggressive action.

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CHINA: THE GANG'S ALL HERE

Last year, Army Day (August 1st), the fourth of China's five major holidays, was a tepid affair with several top leaders, including Chou En-lai and Madame Mao, skipping the customary reception given by the Ministry of National Defense, and China's three major newspapers omitting the usual joint editorial. There was no editorial again this year, but the leadership turnout was much more impressive. In a move almost certainly calculated to demonstrate the unity of the national leadership despite the divisiveness of the anti-Confucius campaign, all but one of the active Peking-based Politburo members attended this year's gathering.

Heading the turnout in every sense was Chou En-lai, making his first appearance since his hospitalization last month. As if to underline his leading role, the Premier, who was described by foreign diplomats as pale but active, entered the hall—to lengthy applause—several paces in advance of the other top leaders. Politburo member Yeh Chien-ying, in his capacity as de facto defense minister, acted as host and delivered the traditional toasts. As usual, Mao did not attend.

The reception was highlighted by the return of a number of senior military officers purged during the Cultural Revolution. Among them was a former chief of staff whose reputed opposition to Madame Mao contributed to his disgrace. Also present were several prominent rehabilitated civilians, who had surfaced at the Tenth Party Congress last August. Both groups were listed among the "also present," suggesting that they have not been given official posts.

Celebrations in the provinces seemed decidedly low-keyed. Many provinces failed to publish a list of those attending local gatherings—an indication of the unsettled leadership situation in many areas. Military men who hold government and party posts in the provinces have been heavily criticized during the anti-Confucius campaign.

ARMY DAY LEADERSHIP TURNOUT	
"In Attendance"	
Chou En-lai	Premier and leader of the moderate faction on the Politburo.
Wang Hung-wen	Young vice chairman of the party who rose to prominence at the Tenth Party Congress last year.
Yeh Chien-ying	De facto defense minister and an ally of Chou En-lai.
Chu Te	Retired army marshal and honorary elder.
Chang Chun-chiao	Generally believed to be one of the more powerful members of the Politburo and may be the secretary general of the party.
Chiang Ching	Wife of Mao and leader of the radical faction on the Politburo.
Yao Wen-yuan	Ally of Chiang Ching.
Li Hsien-nien	Finance minister and long time associate of Chou.
Teng Hsiao-ping	Second highest figure purged during the cultural revolution, now one of the more active Chinese leaders.
Chen Hsi-lien	Commander of Peking Military Region.
Chi Teng-kuei	Former provincial figure who may now be responsible for the trade unions.
Hua Kuo-feng	Originally from Hunan Province where he has been criticized in wall posters.
Wu Te	Boss of Peking and head of the Cultural Group, indirectly criticized earlier this year by the radical faction.

The reduced status of the military since the Cultural Revolution was reflected in a number of small ways during the holiday. The toasts and attention accorded the People's Liberation Army on their day were fewer and less effusive than in past years, although they were in keeping with the limp affair last year. Moreover, the day passed without a clue to any break in the long-standing impasse over the selection of a new defense minister or chief of staff; both posts have been vacant since the Lin Piao crisis almost three years ago.

Chou's theatrical entrance and his seemingly deliberate performance as he moved from table to table exchanging toasts should help to reassure his followers that the Premier's recent illness is neither political nor so incapacitating that he is unable to participate in the affairs of state. The attempt at a show of unity is likely to be less convincing for most Chinese. The twists and turns in the anti-Confucius campaign over the past year have made clear that the top leadership remains divided.

US BASE PROBLEMS IN JAPAN

The issue of US bases in Japan is flaring up again. The most-publicized problem at the moment is the recently disclosed presence of three US over-the-horizon radar sites in Japan: one in Hokkaido, another near Tokyo, and the third on Okinawa. The leftist opposition in Japan charges that such installations—designed to detect missile launches—make Japan an immediate target in any nuclear war involving the US.

The Japanese Communists are also charging that the US is conducting mock nuclear bombing exercises on a small island just off Okinawa. The Communists claim to have observed and identified mock-ups of the US Model-B43 nuclear bomb being dropped by parachute. They insist that this information supports earlier charges that

the US retains nuclear weapons on Japanese territory in violation of Japan's "non-nuclear principles" and the 1969 Okinawa reversion agreements.

Foreign Minister Kimura, responding to the charges in the Diet, promised to ask the US to "reconsider" training with dummy nuclear weapons. The publicity surrounding Kimura's statement may well increase US difficulties, but Japanese officials have privately indicated they do not expect the US to end this type of training.

To add to US problems, an Okinawan farmer collecting brass artillery casings on a bombing range last month was wounded by a US guard. The circumstances are under dispute, but protests resulted when the US decided to retain jurisdiction in the case instead of handing the soldier over to Japanese authorities. Press coverage has been both extensive and highly critical of the US. The socialist governor of Okinawa is demanding that the range be closed and the radar facility located in Okinawa be removed.

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To boost the anti-base campaign, the Japanese left has also:

- Played up a statement by a US air force general officer that Japan should allow its armed forces to be sent abroad (a violation of Japan's constitution).
- Exploited a rape incident in Okinawa in May involving US servicemen.

The base issue did not play much of a rôle in Japanese politics in the recent election campaign, but the left clearly still finds it an attractive issue with which to belabor the government, particularly when Japanese nuclear allergies can also be aroused. Okinawa, which contains by far the heaviest concentration of US military installations of any prefecture in Japan, will probably continue to be the most troublesome area in the US base issue.

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PHILIPPINES: DISTAFF DIPLOMACY

Philippine first lady Imelda Marcos will make a "cultural" visit to China in mid-August. Mrs. Marcos, who considers herself the country's premier diplomat, has long wanted to be the first important Philippine visitor to Peking, and stories of an impending trip have appeared in the Manila press frequently during the past two years. Although the visit will be largely ceremonial, it is in line with Manila's efforts to improve relations with Peking.

For two years now, President Marcos has given great publicity to his desire to redress the balance in Philippine foreign relations by opening ties to Peking and Moscow. Although Manila has had a great deal of contact with Moscow, there has until recently been little substance to the rhetoric about Peking. Marcos is now showing serious interest in improving state-to-state relations with China. He believes that Peking is potentially an important trading partner for the Philippines, particularly as a supplier of rice and oil.

Marcos wants to expand relations with Peking without disrupting Manila's important commercial ties with Taipei. He is undoubtedly trying to prepare Taipei for the considerable publicity that will surround Mrs. Marcos' trip and to convince the Nationalists that he has not abandoned his cautious policy toward Peking.

According to Foreign Secretary Romulo, Mrs. Marcos' trip is tentatively scheduled for August 17. The composition of her party has not yet been decided, but Romulo said that no senior foreign affairs officials will accompany her. To help boost Mrs. Marcos' image as an important figure in Philippine foreign relations, however, her trip may result in the public announcement of some new agreement, probably the recently concluded contract for oil imports.



Mrs. Marcos

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ISRAEL-EGYPT: MOBILIZATION TESTED

Both Israel and Egypt conducted tests of their mobilization systems over the past week or so.

According to Israeli press reports, some Israeli reservists were recalled to duty last week, and others were called up early this week. The purpose of the exercise is to test a new system for recalling reserves in an emergency. The old system reportedly underwent extensive revision as a result of problems encountered during the war last October. The full extent of the exercise and the number of reservists involved are not known.

At the same time, the Israelis are holding large-scale maneuvers involving land, sea, and air forces. One is being held on the Israeli-occupied West Bank of the Jordan River, and reportedly was watched by Israeli Defense Minister Peres and the army chief of staff, General Gur.

The reserve call-up and the military exercises come at a time when Israeli authorities are saying that a new round of fighting could occur in the Middle East within 3 to 12 months. The Israelis claim they are merely taking precautions against such an eventuality. Among their reported measures are plans to recall "thousands" of reservists for extended periods of time "to prepare Israel's weapons" for any new war. One press account states that the army will call up vocational school students from the tenth through twelfth grades to work in military repair shops during the school year that begins in September.

Prime Minister Rabin presented a broad outline of the government's Middle East policy to the Knesset on August 6. Striking one of the few moderate notes to come out of Tel Aviv recently, he said the government is not satisfied with the present no-peace situation and wants to speed up peace negotiations. He too warned, however, that there are "growing and systematic" preparations for a resumption of hostilities by the Arabs, particularly Syria. The government, he said, cannot ignore this and is duty-bound to step up the pace of its own efforts to prepare the country against the dangers of renewed warfare.

Earlier in the week, the Israeli press had taken the government to task for the "confusing profusion" of statements by ministers and military officials concerning the possibility of renewed war—particularly the statement by General Gur, who suggested that Israel might launch a pre-emptive war under certain conditions. The press called on the government to speak with fewer voices and with more restraint. The US embassy in Tel Aviv believes that most Israelis are confused, not knowing whether to expect war or peace. The embassy's Israeli contacts, however, do not give the impression that they believe war is either imminent or inevitable.

Egyptian Foreign Minister Fahmy has called on Israel to "stop its saber-rattling," saying that the Arab world sees the Israeli maneuvers as "war-like" and will react in the same way. But he observed that the "weak government" in Tel Aviv might be tailoring its military actions for home consumption and to impress the US with its need for more arms and financial aid.

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The Egyptians also called up some reserves last week for the first time since the October war. Egypt's mobilization probably involves elements of all the armed forces, but the total number of personnel and units is not known. The call-up is augmenting existing military units rather than establishing new ones.

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INCREASED SUPPORT FOR ARAFAT

Moscow increased its public support of the Palestine Liberation Organization last week. It nevertheless stopped short of officially endorsing the organization as the only representative of the Palestinians, apparently in order to retain its flexibility on the Palestinian issue at the Geneva conference and to avoid cutting its ties with other fedayeen groups.

The communique of August 3 skirted the issue of whether Yasir Arafat's visit to Moscow was official and failed to say under whose auspices he was received. It referred only to Arafat's meetings with Soviet party secretary Ponomarev and First Deputy Foreign Minister Kuznetsov. Kuznetsov subsequently told US officials that Moscow had not explicitly recognized the PLO—as was evident from the communique—but added that the recent conference of the Palestinians had made it “more or less clear” that the PLO is the only organization that can speak on their behalf.

The Soviets called for Palestinian participation at the Geneva Peace conference, saying that the PLO should attend “with rights equal to those of other participants.” Kuznetsov subsequently qualified this support by saying the Palestine issue should not be allowed to delay the reopening of the conference, which he emphasized was an urgent matter. He said the details of Palestinian participation could be worked out later.

The Russians also consented to the opening of a PLO office in Moscow, but the communique contained no details. The Egyptian ambassador to the USSR believes the PLO office will be accredited to the Afro-Asian Solidarity Committee and will have no diplomatic status. The Egyptian added that rumors that Moscow planned to supply arms to the Palestinians were probably untrue since the PLO can get weapons from several Arab states, including Egypt.

Palestinians Differ Over Negotiations

The Soviet reaffirmation of support for a peaceful settlement of the Middle East problem

and the call for PLO participation may have widened the split between pro- and anti-negotiation elements within the fedayeen movement. Moderates like Arafat favor PLO participation in peace efforts, but “diehard” like George Habbash of the Popular Front for the Liberation of Palestine oppose a negotiated settlement and believe that the current efforts toward such a solution will fail.

Prior to Arafat's visit, Habbash openly criticized Moscow for assuming that a satisfactory political settlement of the Palestinian question could be found. Habbash and other opponents of negotiations may call a special meeting of the Palestine National Council to discuss what they brand as a “violation” of the PLO program adopted on June 9. At the June meeting, it was agreed to delay a decision on the attendance of the PLO until the organization was formally invited.

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MINE-CLEARING NEARS END

The Soviets are now expected to complete their mine-clearing operations in the main channel of the Strait of Gubal about September 1. Reportedly the Soviets then intend to offer to clear the inner channel located in Israeli-controlled waters. Since the last week in July, helicopters from the carrier Leningrad have been providing logistic support for the task force as well as spotting and photographing mines. On at least one occasion, helicopters were probably used to guide a radio-controlled sweeping device. They may also have been used to photograph and observe Israeli naval shipping in the area.

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Ethiopian military searching for officials this spring

ETHIOPIA: MILITARY STILL DOMINANT

The appointment last month of a new civilian prime minister—Mikael Imru—has done nothing to ease Ethiopia's painful transition to a new political era. Friction between civilians and the military—and within the armed forces themselves—continues to inhibit efforts to get government machinery moving again.

Military moderates, ranging from majors down to sergeants, are the dominant political element. They are loosely organized under the Armed Forces Coordinating Committee in Addis Ababa—the core group of a network of committees beset with junior-senior, ideological, and regional rivalries. The committee is a controlling force in the ad hoc structure of government—ostensibly presided over by a civilian cabinet—that is trying to hold the country together in anticipation of the issuance of a new constitution sometime later this year. Some senior officers opposed to the old aristocratic system may exert influence behind the scenes.

Until this past weekend, it appeared that the committee was willing to share de facto authority with a cabinet of civilians whose political and social outlook tended to parallel their own. A bitter quarrel between Prime Minister Mikael and the military committee over the composition of his cabinet threatens to upset this arrangement, however. Mikael, while accepting the committee's choices for the defense and interior ministries, disregarded its suggestions on four other ministries.

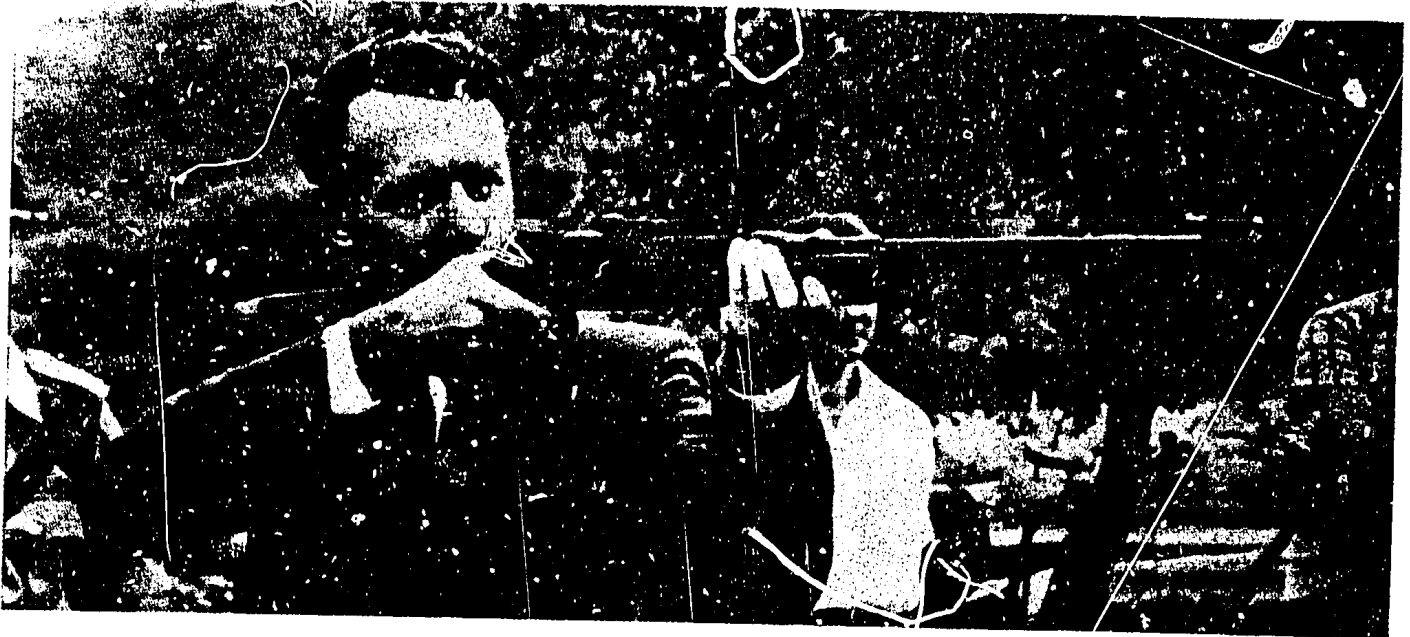
The military, which had earlier wanted to arrest Mikael's four appointees on corruption charges, was angered at his show of independence. The issue has put Mikael and the military on a collision course. If Mikael does not make a major accommodation to the wishes of the military, they reportedly intend—despite their former strong reluctance to rule directly—to dismiss him and fill all cabinet posts with military officers.

The government structure, already disrupted during the last six months as a result of political turmoil and the arrests of over 100 former officials, is likely to become even less effective. A military cabinet would lack the talents needed to run the government, while the only alternative—a capitulation by Mikael—would further sap the cabinet's confidence and damage the morale of civil servants.

Ranking officials in the ministries already are avoiding decisive action for fear of being denounced. Moreover, the additional persons arrested last week by the military for trial on charges of corruption and abuse of authority for the first time included medium- and lower-echelon employees. As the dragnet broadens, civil servants will inevitably be primarily concerned with their own security. Meanwhile, inadequate drought relief and all the other serious social and economic problems that precipitated the February uprising continue to fester.

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Ian Smith

RHODESIA: AFTER THE ELECTION

The parliamentary election last week confirmed Prime Minister Smith's leadership of Rhodesia's beleaguered white settlers. His victory occurred in the face of a second year of active insurgency and the prospect that events in neighboring Mozambique will benefit the Rhodesian insurgents. It is doubtful, however, that Smith's victory will help him achieve his goals of securing a constitutional agreement with leaders of the country's black majority, British recognition of his breakaway government, or an end to international economic sanctions.

Smith dissolved parliament in June when leaders of the African National Council, the largest black political organization in Rhodesia, rejected his latest constitutional recommendations. Under Smith's proposal, Rhodesian blacks, who outnumber whites 20 to 1, would be prevented from securing a majority in parliament for at least 40 years. During the campaign, Smith claimed that the opposition white Rhodesia Party had encouraged the African National Council to reject his proposal. He denied that the council's stand was truly representative of black opinion.

In the election, Smith's Rhodesian Front Party won all 50 of the seats allocated to whites in the assembly. Candidates who supported the council's stand won seven of the eight seats that

represent the 7,000 blacks who are allowed to vote. Other members of the assembly are indirectly elected from tribal groupings.

Shortly after the election, Smith said he was inviting a representative group of black leaders to a conference to attempt to resolve the constitutional impasse. Bishop Muzorewa, president of the African National Council, has already said that his group will boycott the conference unless Smith releases other council leaders who are under detention. Smith might be willing to make concessions to get council leaders to attend the conference, but they would probably be outnumbered by compliant blacks such as traditional tribal chiefs. The UK is unlikely to agree to any settlement that is not acceptable to the council.

Smith presumably hopes that at the conference he can drive a wedge between Muzorewa and more militant council leaders. The militants, according to Smith, are collaborating with guerrilla leaders opposed to any negotiations with the government. It appears, however, that recent events may be pushing Muzorewa closer to the militants.

Smith's campaign rhetoric gave such heavy emphasis to his determination to maintain white supremacy that Muzorewa and other black

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Rhodesians may well feel that there is nothing to be gained from dealing with him. The council's rejection of Smith's terms last June seems to have been vindicated by the election victories of the black candidates approving this stand.

Muzorewa no doubt expects that a black government will soon emerge in Mozambique, and that such a government will support the black Rhodesian nationalist organizations that are waging the insurgency against the Smith regime. Thus, Muzorewa—who has always opposed the use of force—is under some pressure to reach an accommodation with the leaders, or to outbid them for international support.

expenditures, however, will probably exceed the current budget by \$750 million. Although New Delhi's supplementary budget is an attempt to raise additional revenue, there is little chance that the government can hold deficit financing to \$156 million as planned.

Mrs. Gandhi has asserted her intention to bring inflation under control even at the expense of her popularity, but in her efforts to raise revenue and regulate incomes she has steered pretty well clear of agriculture, India's predominant economic activity and the principal potential source of revenue. The Indian constitution reserves to the state governments the right to tax farm income, but state governments are heavily dependent on large-scale farmers for political support and have not taxed farm incomes, which have increased sharply since 1966. New Delhi recently urged the states to increase agricultural taxes and to stop subsidizing water and power used for irrigation. Should the disappointing monsoon season continue, the consequent price rises for basic commodities will put additional pressure on New Delhi to take more strenuous action.

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INDIA MOVES TO CURB INFLATION

The anti-inflation measures announced last month underscore Mrs. Gandhi's deep concern but fail to reach the heart of the problem—the government's unchecked deficit spending and severe shortages of industrial and agricultural goods. The new program reflects her effort to stem rising wholesale prices, which in recent weeks have climbed at an annual rate of more than 40 percent, following a record 28-percent for the year ending June 30, 1974. The new legislation will impound salary and wage increases, limit dividend payments to not more than one third of after-tax profits, require income taxpayers to bank 4 to 8 percent—depending on income—of gross salaries over \$1,900, and sharply curtail commercial credit.

New Delhi has also imposed some minor new taxes on unfinished products, which will boost revenue by about \$300 million. Government

Anti-inflation measures also leave virtually untouched "black" money—currency that has evaded being taxed—which amounts to an estimated \$625 million, or about 5 percent of the money supply. Rumors persist, despite denials from New Delhi, that the government is considering demonetization measures—reduction of the face value of high-denomination currency notes and bank accounts—that would surface substantial amounts of this "black" money. Government officials maintain, however, that such measures are not in the offing.

While the current measures are designed to reassure the people that the government is taking action, New Delhi finds it increasingly difficult to retain popular support when its efforts fail to halt the inflationary spiral. High prices, combined with shortages and alleged corruption in government, could stimulate another round of urban unrest similar to that of last winter.

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Velasco

PERU: DEMONSTRATIONS FIZZLE

The anti-government protests that erupted in Lima last week following nationalization of the city's major newspapers petered out by the weekend after the Interior Ministry issued a toughly worded ban on further demonstrations and warned that police would open fire if there were more disturbances.

The government also announced that at least some of the 400 people arrested during the protests would be tried and that 100 vehicles impounded by police would be sold to pay for damages. The demonstrations were centered in a middle-class residential district and appear to have been led by young supporters of Fernando Belaunde Terry, the exiled former president who was overthrown by the armed forces in 1968.

The protests peaked on July 29, when an unruly crowd disrupted a party hosted by Prime Minister Mercado at Lima's main army officers' club. The guests, including Cuban First Vice Prime Minister Raul Castro, were forced to retreat indoors from a show on the patio when tear gas permeated the area. Two evenings later, a caravan of cars—license plates covered—stopped in front of the Soviet embassy. The occupants peppered the building with rocks, broke some windows, and sped away.

Although the protests were more of an embarrassment than a danger to the military government, they do show that the Peruvian middle class has not been totally cowed. Official spokesmen played down the incidents and emphasized that the disturbances were staged by "those who have lost their privileges forever." There are unconfirmed reports, however, that some of those arrested are relatives of prominent military men.

Unlike many of the military government's earlier revolutionary moves, the press take-over hits middle-class Peruvians close to home. It may have jolted many into heightened concern over the possible consequences if President Velasco's plans for further changes in Peruvian society are implemented, and there may be more manifestations of middle-class apprehension in the months ahead.

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CHILE: CRIME AND PUNISHMENT

Verdicts and sentences in the major public trial held by the air force between April and June finally were issued last week.

The four death sentences handed down were commuted to 30 years imprisonment on August 5. The relatively quick commutation indicates that the military government has grown increasingly aware of the damage that the executions last year have done to Chile's international image. The rest of the sentences are under review, and at least some of the prison terms probably will be substantially reduced. About 1,800 of the officially admitted 6,000 leftist prisoners have yet to be formally charged, however, including high-ranking officials of the Allende regime and leftist party leaders.

Most of the 60-odd defendants were military men, but civilian Carlos Lazo, a former vice president of the state bank, was one of those

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condemned to death. Former Socialist senator Erich Schnake got 20 years. The most serious charges involved leftist attempts to promote insubordination in the air force and the passage of military secrets to the "enemy."

Defense lawyers had argued that since the offenses allegedly were committed before the coup that overthrew the Allende regime, the trials should have been held before a peacetime military tribunal rather than a wartime court-martial. Prosecuting attorneys countered with the proposition that the state of war predated the coup. The issue is crucial, since some minor peacetime infractions of the military justice code are major violations in time of war.

In a 234-page opinion, the air force court ruled that an undeclared state of war came into being years before the coup, i.e., with the organization of leftist paramilitary forces—the "enemy"—and the "mobilization" of the armed forces to combat political violence. Having declared that a state of war did exist when the offenses were committed, the court went on to cite precedents such as the Dreyfus case and the Stalin purge trials to demonstrate that an "enemy" can exist even in peacetime. The opinion ignored defense charges that torture was used to obtain confessions.

Good legal arguments can be made on both sides of the question of when the state of war began, but on the whole the air force court's opinion is more a political tract than a legal analysis. The reviewing officer based his decision to commute the death sentences on the previous good records of the defendants.

Some military men feel there should be no more spectacular public trials, and the government seems unsure how to proceed against its most prominent prisoners. Whatever the decision, however, it is likely to reflect the military's determination to continue to do things its own way despite heavy criticism from abroad.

COLOMBIA: A NEW GOVERNMENT

Alfonso Lopez Michelsen was inaugurated President on August 7, ushering in a new political era for Colombia. His administration is the first to succeed the National Front coalition in which the dominant Liberal and Conservative parties had been allied since 1958. Lopez, a Liberal, defeated the Conservative candidate in the election last April by almost a two-to-one margin, and the Liberal Party gained control of both houses of congress.

In his inaugural address, Lopez indicated that he would follow through on the largely economic thrust of his campaign. Colombia's most significant domestic problem is inflation, which reached 24 percent in 1973 and is likely to be even higher this year. Lopez has called for voluntary wage and income controls, but he has promised to impose controls if necessary. He is also likely to implement tax reforms and to decrease foreign borrowing.

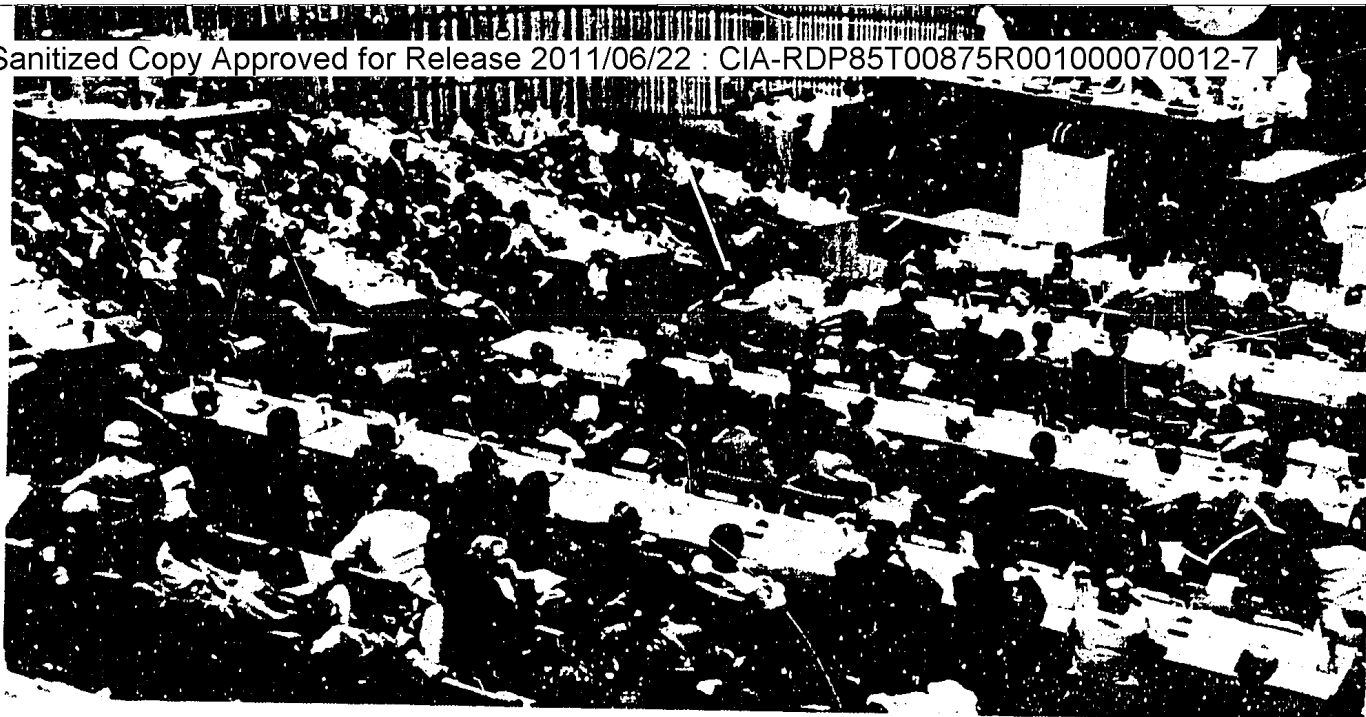
Prior to the inauguration ceremony, Lopez announced his 13-member cabinet. Like the four cabinets of the National Front presidents, the new one is divided equally between Liberals and Conservatives—six portfolios to each party and the 13th, defense, to an army general. Although the Front has technically ended, this first post-coalition administration is required to maintain political parity in appointive positions.

President Lopez, who served as foreign minister from 1968 to 1970, is an aggressive supporter of independence and pluralism in Colombian foreign relations. He is expected to strengthen trade ties with Communist countries, encourage the end of sanctions against Cuba, and take a protectionist stand on natural resources. Although critical of some aspects of US policy toward Latin America, President Lopez is expected to do nothing to threaten Colombia's traditionally warm relations with the US.

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LAW OF THE SEA: TROUBLED WATERS

Law of Sea Conference in Caracas

The current session of the Law of the Sea Conference in Caracas has reached mid-point, with the basic issues still unresolved and little prospect of reaching agreement during this summer's session. There is a growing belief among the participants at the conference that two more sessions may be needed to draw up a new treaty governing the navigation, use, and exploitation of the oceans. Progress has nevertheless been made in Caracas, and many countries, now familiar with the complexities of the issues involved, have abandoned positions based on regional or ideological loyalties for more flexible approaches.

The land-locked group remains a major exception. There has been no lessening of their demands that they be given extensive rights in the waters of the coastal states and that they benefit from exploitation of the seabed and its resources.

The business of the session has been transacted in the conference's three committees:

- Committee I—the deep seabed and the rules and machinery for its exploitation.
- Committee II—the territorial sea and economic zone (including straits).

- Committee III—marine pollution, scientific research, and transfer of technology.

As expected, the question of the extent of control by a seabed authority over the commercial development of the resources of the international seabed area has been a difficult one. Moreover, a deadlock over the insistence by the coastal states that resolution of their rights in the economic zone not be divorced from the discussion of marine scientific research and pollution questions threatens to stall completely the deliberations of the second and third committees.

In an effort to break this deadlock, a compromise proposal was submitted to the conference last week by Canada on behalf of nine sponsors. Concerned almost exclusively with coastal states' rights, it proposes to extend the sovereignty of coastal states to include resources, pollution control, and freedom of navigation and overflight within the economic zone. The proposal was tabled over the heavy objections of the land-locked states, and both the major developed and the land-locked countries have rejected it as a basis for further negotiation. Most countries at the Caracas session, however, are continuing to negotiate seriously and still hope to produce at least a draft of treaty articles before the session concludes on August 29.

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